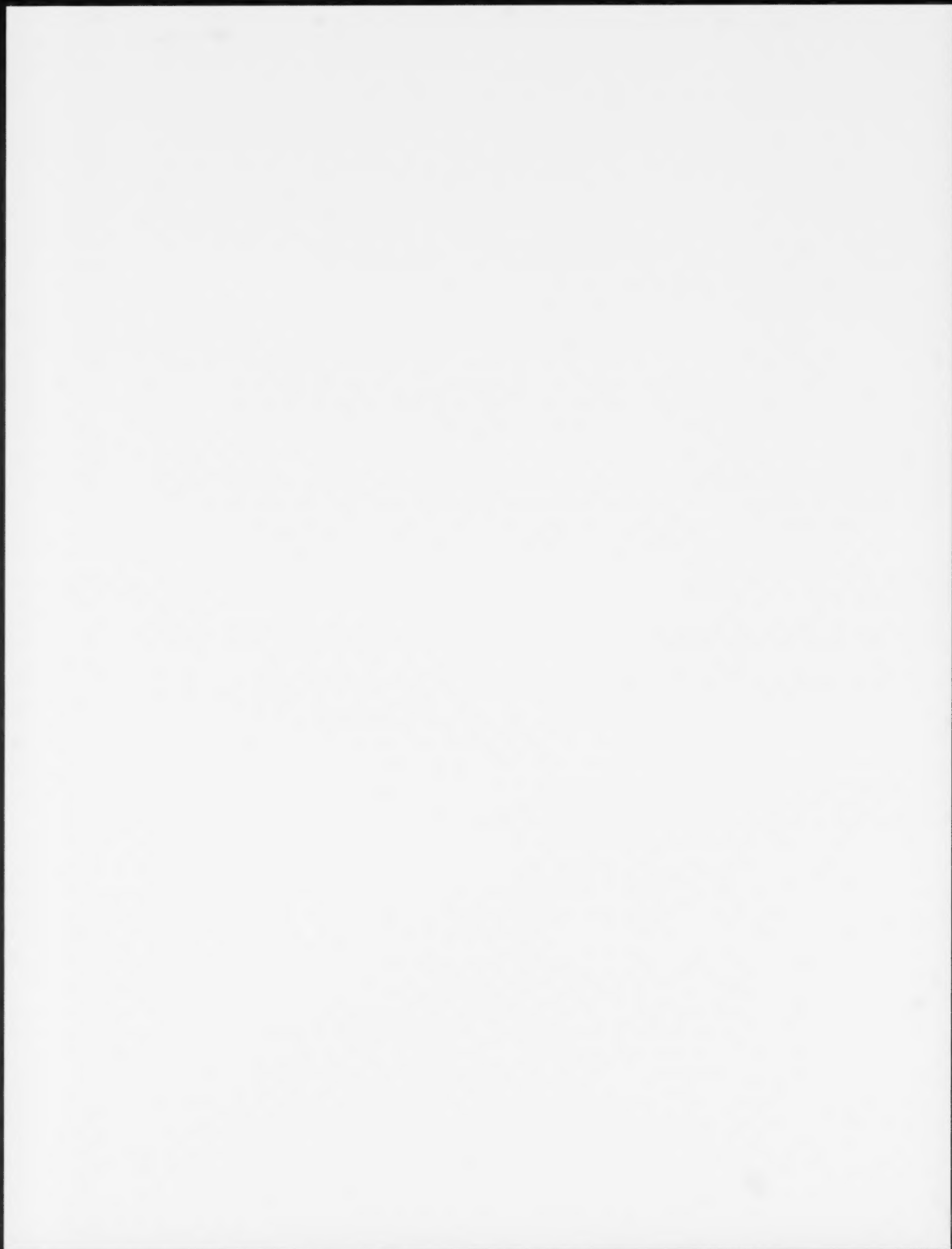


Saskatchewan Liquor and Gaming Authority



Plan for 2013-14



PLAN FOR 2013-14

Statement from the Minister



On behalf of the Saskatchewan Liquor and Gaming Authority (SLGA), I am pleased to present SLGA's Plan for the upcoming year. SLGA's plan is aligned with Government's Direction and Budget for 2013-14, built on the principle of *Balanced Growth*, supporting an ongoing focus on sound economic growth and shared prosperity.

Commitments contained in SLGA's 2013-14 Plan continue to focus on improving the effectiveness and efficiency of operations across the organization with a view to improving both customer service and financial performance. The Plan also contributes to a stronger business climate for its stakeholders and will create new business opportunities by allowing increased private sector involvement in the province's blended retail liquor network. Continuing to examine programs and services to ensure the most effective delivery possible is a key priority. SLGA's net income is essential to providing sustainable funding in support of Government programs and services and this Plan supports socially responsible net income growth over the medium term.

I am committed to being accountable to the people of Saskatchewan and accept responsibility for furthering Government's commitments while ensuring SLGA is managed with integrity and professionalism. I will report on progress made toward this Plan in the 2013-14 Annual Report.

The Honourable Donna Harpauer
Minister Responsible for Saskatchewan Liquor and Gaming Authority

Response to Government Direction

The government remains committed to further establishing Saskatchewan as the best place to live, work and raise a family.

The Saskatchewan Plan for Growth – Vision 2020 and Beyond identifies principles, goals and actions to ensure Saskatchewan continues to benefit from the opportunities and meet the challenges of a growing province. Keeping government's focus on *Balanced Growth*, the plan outlines the key activities that the Government of Saskatchewan will undertake in pursuit of sustained, disciplined growth and a better Saskatchewan.

Government's Vision

"...a strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Sustaining growth
and opportunities for
Saskatchewan people

Improving our
quality of life

Making life
more affordable

Delivering responsive
and responsible
government

Government's vision and four goals provide the framework for ministries, agencies and third parties to focus on achieving greater success in the delivery of government services. *The Saskatchewan Plan for Growth – Vision 2020 and Beyond* provides the enabling strategies and actions that the Government of Saskatchewan will undertake to build a strong and growing Saskatchewan. The 2013-14 budget theme of *Balanced Growth* reflects the government's commitment to achieving the Saskatchewan Plan for Growth.

All ministries and agencies will report on progress and results achieved in their 2013-14 annual reports. This honours government's commitment to keep its promises and ensures greater transparency and accountability to the people of Saskatchewan.

MISSION, STRATEGIES AND ACTIONS

Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

Strategy

Support economic growth in liquor and gaming industries and associated sectors.

Key Actions

- ⇒ Following completion of the detailed warehouse design, SLGA will release a Request for Proposals (RFP) for the construction of a new warehouse facility. Construction of the expanded warehouse, expected to begin in the fall of 2013, will address growing volumes, improve efficiencies and enhance services to our customers and stakeholders.
- ⇒ SLGA will proceed to enhance its existing public-private retail network with the establishment of two full-line private liquor stores in Saskatoon and one in Regina. SLGA will ensure that the integration of the new stores into the blended retail model will address capacity issues and meet future volume growth requirements.
- ⇒ Continue to review and develop options for liquor retail operations in the public-private retail network.
- ⇒ Convert the existing volume-based, off-sale commercial permittee, flat rate beer discount to a discount that is applied as a percentage off the base price. The new discount will be proportional to the price of individual products and will ensure that the discount keeps pace with inflation over time.
- ⇒ Continue to support the charitable gaming industry through the charitable gaming grant program.

Strategy

Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by key stakeholders in the economy.

Key Actions

- ⇒ In support of Government's commitment to reduce red tape, create new business opportunities and improve flexibility in the regulatory environment, SLGA will proceed with implementation of over 70 regulatory changes arising from the 2012 Red Tape Committee Review.
- ⇒ Following a stakeholder consultation process, SLGA will introduce charitable gaming regulatory changes that will provide for new opportunities in the charitable gaming sector by allowing enhanced use of technology.



Photo Credit: Saskatchewan Watershed Authority, photo by Vicki East, Rafferty Reservoir

Strategy

Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities.

Key Actions

- ▮ Continue to participate on the Interprovincial Lottery Corporation Responsible Gaming Sub-committee, leveraging resources from across jurisdictions for responsible gambling programs, focused on evidence-based initiatives. Projects for 2013-14 include:
 - ↳ completion and rollout of a video lottery terminal (VLT) specific adaptation of an animated educational clip that will assist VLT players in understanding randomness and probability of winning prizes while playing VLTs;
 - ↳ sponsorship of an online, moderated self-support website for gamblers who are concerned about their gambling behaviour; and,
 - ↳ development of guidelines for how best to communicate with slot and VLT players about odds of winning and average returns to players.
- ▮ Continue to work on the development of responsible gambling initiatives in collaboration with members of the Saskatchewan Partnership for Responsible Gambling.
- ▮ Continue to partner with Saskatchewan Government Insurance (SGI) and various groups to promote awareness and prevention of drinking and driving.
- ▮ Develop and implement a responsible use training program regarding the use of beverage alcohol and gaming products for all SLGA employees.

Strategy

Support and strengthen the collaborative partnership between SLGA and First Nations.

Key Actions

- ▮ SLGA will work collaboratively with:
 - ↳ The Saskatchewan Indian Gaming Authority (SIGA) to continue to fulfill commitments under the Casino Operating Agreement;
 - ↳ The Indigenous Gaming Regulators (IGR) – SLGA Regulatory Agreement; and,
 - ↳ The Federation of Saskatchewan Indian Nations (FSIN) to continue to fulfill commitments under the Gaming Framework Agreement (GFA).



Photo Credit: Ministry of Parks, Culture and Sport, Hans-Gerhard Pfaff, Victoria Park, Downtown Regina

Strategy

Ensure continuous improvement in internal operational efficiency, productivity and program effectiveness.

Key Actions

- ⇒ SLGA will work to further develop its corporate culture focused on continual improvement in process efficiency and customer service with ongoing application of Lean methodology to SLGA's internal processes.
- ⇒ In 2013-14, SLGA will implement phase one of its external web strategy that will provide an improved customer and partner-focused web presence. Additionally, SLGA will continue to work on the replacement of the Warehouse Management/Supply Chain system and the Regulatory Compliance application systems. The new systems, to be implemented in 2013-14, will improve internal operational efficiency and once fully integrated with the external website, will create additional efficiencies and improve customer service.
- ⇒ SLGA will implement multi-year program reviews as part of an ongoing process to ensure operational efficiency and effectiveness.

Strategy

Provide responsive and high quality services to customers and stakeholders.

Key Actions

- ⇒ Conduct a retail liquor store customer satisfaction survey to measure the change in customer satisfaction following the implementation of customer service programs in 2012-13 and to identify areas for continued improvement.
- ⇒ Continue work focusing on the expansion and improvement of online services to SLGA customers and stakeholders.
- ⇒ Focusing primarily on Special Occasion Permits, SLGA will continue to review and amend the regulatory framework to simplify procedures and improve customer service.
- ⇒ To improve convenience and customer service, SLGA will enhance its existing public-private retail network with the establishment of two full-line private liquor stores in Saskatoon and one in Regina.

PERFORMANCE MEASURES

Measure

SLGA net income

Fiscal Year	SLGA Net Income
2011-12	\$463.5M
2010-11	\$442.5M
2009-10	\$433.1M
2008-09	\$435.0M
2007-08	\$396.0M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

SLGA plays an important role in funding provincial programs and services. SLGA's net income reflects the total net revenue generated by the Province's liquor industry and the majority of the gaming industry after deducting operating expenses. This is a critical outcome for SLGA and it contributes significantly to meeting the government's revenue needs for the funding of other key programs.

SLGA's net income measure reflects SLGA's core business activities and is directly aligned with Government's overarching goal of growth and opportunity. In addition to overall economic conditions, this measure is dependent upon the balance SLGA must achieve between revenue generation, stakeholder benefits, customer service, social responsibility and operational efficiency.

Historically, SLGA has demonstrated a steady increase in its net income. Relative to 2010-11, SLGA net income increased by \$21.0 million. The net impact was driven by a \$14.7 million increase in SLGA net income, a \$3.4 million increase in net income from liquor operations and a \$2.9 million increase in VLT net income. Continued monitoring of financial performance as it relates to liquor and gaming activity is key to maintaining growth into the future.



Photo Credit: Tourism Saskatoon, City of Bridges

Measure

SIGA net income

Fiscal Year	SIGA Net Income
2011-12	\$79.2 M
2010-11	\$64.4 M
2009-10	\$65.1 M
2008-09	\$59.9 M
2007-08	\$58.1 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the total net income generated by SIGA casinos in the province after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA's casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement between the Province and the FSIN.

The General Revenue Fund retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

SIGA's net income is linked to SLGA's strategies to support economic growth in liquor and gaming industries and associated sectors and to support and strengthen the collaborative partnership between SLGA and First Nations. Net income for SIGA totaled \$79.2 million in 2011-12 (\$81.6 million prior to the interest rate swap accounting adjustment). This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Ministry of Parks, Culture and Sport, Greg Huszar Photography, Evergreen Golf Course

Measure

VLT site commission

Fiscal Year	VLT Site Commission
2011-12	\$34.4 M
2010-11	\$33.9 M
2009-10	\$34.3 M
2008-09	\$36.6 M
2007-08	\$39.9 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure illustrates how private businesses benefit from VLT activity in the province. SLGA supports local businesses through a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. In 2012-13, these site commissions helped to support 613 site contractors in 296 communities in Saskatchewan.

VLT site commissions are linked to Government's goal of growth and opportunity. The VLT program operates within a provincial cap of 4,000 VLTs balancing both social and fiscal responsibilities.

The decline in VLT site commissions relative to 2007-08 is primarily due to a one-time cost incurred in 2007-08 associated with the negotiated closing of the Emerald Casino in Saskatoon. Consistent with the trend in gross VLT revenue, VLT site commissions followed a downward trend through 2010-11, recovering slightly in 2011-12. SLGA's 2012-13 reinvestment in VLT infrastructure is expected to reverse the downward trend over the medium term. This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Ministry of Parks, Culture, and Sport, photo by Paul Astring, Blue Sky over Duck Mountain

Measure

Total gross franchise and commercial permittee beverage alcohol purchases

Fiscal Year	Total Franchise Purchases ¹	Total Commercial Permittee Purchases
2011-12	\$54.8 M	\$220.1 M
2010-11	\$51.3 M	\$210.3 M
2009-10	\$50.2 M	\$215.4 M
2008-09	\$45.0 M	\$210.7 M
2007-08	\$41.4 M	\$200.7 M

¹ Beginning in 2009-10, franchise purchases include Specialty Wine Store Franchise purchases
Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the beverage alcohol purchases made by SLGA's partners in the private sector, illustrating the extent to which the Saskatchewan beverage alcohol market is served by a blended distribution model. The rural franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales. In 2013-14, purchases by SLGA's private sector partners are expected to increase as two new private liquor stores begin operating in Saskatoon and one additional private store opens in Regina.

The total gross franchise and commercial permittee beverage alcohol purchases measure is linked to the overarching Government goal of sustaining growth and opportunity. SLGA views franchisees and commercial permittees as partners in the beverage alcohol market and as such SLGA provides policy, operational and financial support where and when possible to ensure sustainability or positive growth occurs.

In addition to their relationship with the strength of the Saskatchewan economy, these performance measures can be affected by weather conditions. While franchise purchases have recorded growth in each year, commercial permittee purchases were affected by the cold and wet summer weather experienced in 2010. Off-sale outlets are responsible for a significant percentage of impulse beer purchases in Saskatchewan; therefore, the decline in the volume of beer sales in 2010-11 was disproportionately felt by off-sale outlets. Purchases rebounded in 2011-12 and overall growth since 2007-08 has been supported by a combination of industry price increases, 'trading up' by the consumer to higher-priced products and an increase in the volume purchased and ultimately sold by SLGA's partners.



Photo Credit: Ministry of Parks, Culture and Sport, photo by Paul Austing. Duck Mountain

Measure

Marginal return on expenses (MRE)

Fiscal Year	Marginal Return on Expenses
2011-12	20.79
2010-11	1.39
2009-10	(0.11)
2008-09	2.23
2007-08	0.49

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure expresses an overall return on investment as an outcome. It expresses a ratio between the change in net income compared to the change in total operating expenses and reflects the principle that while operating expenses can increase, this growth often leads to an increase in net income. Any outcome greater than zero is a positive outcome.

The MRE measure is linked to SLGA's strategy to ensure continuous improvement in internal operational efficiency and productivity. A positive and increasing MRE is a good indication that SLGA is managing expenses in a fiscally responsible manner that is generating growth in net income.

SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. The large MRE increase in 2011-12 resulted from the significant increase in SLGA net income that occurred without a corresponding increase in SLGA operating expenses. The negative outcome in 2009-10 resulted from a one-time adjustment of \$4.5 million (reduction in the Liquor Board Superannuation Plan liability) that reduced expenses in 2008-09 combined with the 2009-10 decline in VLT activity. In all other years, the measure has been positive; indicating that increased expenses and business investment has translated into increased net income.



Photo Credit: Ministry of Parks, Culture and Sport, Hans-Gerhard Plaff, Downtown Regina

Measure

Retail Liquor Store Customer Satisfaction

Customer Satisfaction Survey	2002-03 (phone)	2004-05 (phone)	2007-08 (phone)	2010-11 (phone)	2010-11 (online)
Satisfied with Customer Service	92%	91%	88%	92%	83%
Customer Service Meets or Exceeds Expectations	97%	96%	95%	97%	95%

Source: Saskatchewan Liquor and Gaming Authority

Note: 2002-03 through 2007-08 survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. The 2010-11 phone survey results were derived by a new sampling methodology (non-probability proportional sampling technique); therefore, the standard margin of error calculation is not applicable for the online study.

Measure Description

Customer satisfaction is an important indicator of the quality of SLGA's programs and services and how they are perceived by the public. Excellent customer service is one of the most important outcomes for SLGA as a customer-oriented retail business. Identifying what is most important to customers is a key component for SLGA in continuing to offer high quality programs and services.

This measure is directly aligned with Government's goal of responsive and responsible government and SLGA's strategy to provide responsive and high quality services to customers and stakeholders.

In response to declining response rates via telephone and the increased prevalence of cell phone only households, SLGA conducted a tandem customer satisfaction survey (both online and telephone surveying) in 2010-11. The telephone survey component allowed for direct comparisons to the 2007-08 survey results and the online survey component facilitates the transition between the two methodologies and establishes an online benchmark for future online surveys. The survey results indicate a high level of customer satisfaction with retail liquor store service. In response to the results of the 2010-11 store survey, SLGA implemented a mystery shopper pilot program in 2011-12 to further define areas that were identified for service improvement. In 2013-14, SLGA will conduct another customer satisfaction survey to measure the change in customer satisfaction following the implementation of the mystery shopper program as well as to identify areas for continued improvement.

Customer satisfaction is dependent upon service levels in stores and increasing demand for expanded product selection by SLGA's customers. Responding to increased demand created by the population growth occurring in Saskatchewan's major urban centres is a key factor in meeting customer expectations.

FINANCIAL SUMMARY

SLGA's 2013-14 financial plan supports the organization's key strategies that are designed to assist Government in achieving its plan for Balanced Growth. The main financial outcome for SLGA is its net income which consists primarily of the following components: provincial VLT revenues, SIGA net income and profits from the retail liquor sector.

SLGA's net income is essential to supporting broader provincial objectives. For 2013-14, SLGA is budgeting a net income of \$491.8 million. SIGA net income is forecast at \$75 million and with SLGA's reinvestment in VLT infrastructure, VLT net income is budgeted at \$188.3 million. Continuing market growth and revisions to SLGA's beverage alcohol pricing structure are expected to net SLGA \$271.1 million from the retail liquor sector. The net income from these areas is offset by the net cost of licensing, regulation and support in both the liquor and gaming areas of \$42.6 million.

Overall, SLGA's capacity to continue to generate additional revenues is impacted by a variety of economic variables and public policy choices. Maintaining a balance between revenue generation and social responsibility is key to SLGA's success in supporting government goals.

For more information, see the Budget Estimates at: <http://www.finance.gov.sk.ca/budget2013-14>

For More Information

Please visit SLGA's website at www.slga.gov.sk.ca for more information on its key business areas or call (306) 787- 5563 or Toll Free 1-800-667-7565.

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Canola and flax fields

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Biking, Narrow Hills Provincial
Park

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Motherwell Homestead National
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Building

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